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RUSSIAN METALLURGICAL COMPLEX FINANCIAL SECURITY ANALYSIS

***Abstract.** The article is devoted to study and analysis of the financial security of Russian ferrous and non-ferrous metallurgy enterprises, the analysis being conducted and interpreted according to one of the present day effective methods. A conclusion is put forward and the sphere of application is suggested.*

***Keywords:** financial security, metallurgical enterprises, financial security methodology, financial stability, WACC, financial strength.*

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АНАЛИЗ ФИНАНСОВОЙ БЕЗОПАСНОСТИ ПРЕДПРИЯТИЙ МЕТАЛЛУРГИЧЕСКОГО КОМПЛЕКСА РОССИИ

***Аннотация.** В статье рассматриваются вопросы финансовой безопасности предприятий черной и цветной металлургии Российской Федерации, проводится анализ согласно одной из имеющихся на сегодня эффективных методик, предлагаются выводы и сфера применения.*

Ключевые слова: финансовая безопасность, металлургические предприятия, методика финансовой безопасности, финансовая устойчивость, средневзвешенная стоимость, финансовая прочность.

In the study the financial security of Russian Federation metallurgical enterprises has been researched by one of the existing methods with the purpose of revealing strengths and weaknesses.

In the course of study the main indicators of the financial security level identification of 135 enterprises of the Russian Federation have been analysed making use of the O. A. Kavyrshina methodology. The analysis has been done separately for the ferrous and non-ferrous metallurgy enterprises. The main strengths and weaknesses in the financial security system have been defined.

One of the main stipulations for the beneficial and secure enterprise operation is its ability to withstand both internal and external threats. Financial security means lasting and highly effective operation of the enterprise now and a high development potential in the future. The issues of financial security, definition of methods and approaches are being given considerable attention to in the modern economic science.

As the object of the study the enterprises of the Russian Federation metallurgical industry have been selected.

Table 1 shows the main economic indicators of the studied enterprises.

Table 1. The main economic indicators of the studied enterprises

Indicator	Non-ferrous metallurgy	Ferrous metallurgy	Total
Number of enterprises, units	57	78	135
Average age of companies, yrs	20,8	19,5	20,0
Total assets, bns of rubles	2 536	3 517	6 053
Total revenue, bns of rubles	1 739	3 647	5 386
Total net profit, bns of rubles	233	588	822
Average assets, bns of rubles	44,5	45,1	44,8
Average revenue, bns of rubles	30,5	46,8	39,9

Average net profit, bns of rubles	4,1	7,5	6,1
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The financial security analysis of the given above metallurgical enterprises has been conducted in four directions, according to the O.A. Kavyrshina methodology:

1. Financial stability analysis
2. Solvency and liquidity analysis
3. Business activity analysis
4. Profitability analysis

Which gives us the information about the distribution of the following points.

Table 2. The data on average scores calculated by the O.A. Kavyrshina methodology for the RF metallurgical enterprises

Indicator	Average score(points)	Indicator	Average score (points)
1. Financial autonomy coefficient	2,15	12. Financial cycle length	2,89
2. Financial stability coefficient	3,07	13. Accounts receivable turnover	3,16
3. Financial leverage coefficient	1,53	14. Accounts payable turnover	3,16
4. Provision of own working funds coefficient	1,76	15. Profit growth rate	2,31
5. Total liquidity coefficient	1,21	16. Revenue growth rate	3,60
6. Total solvency coefficient	2,72	17. Assets growth rate	3,75
7. Interest coverage coefficient	3,43	18. Total assets turnover rate	3,39
8. Current liquidity coefficient	3,12	19. Assets profitability	2,41
9. Fast liquidity coefficient	2,82	20. Equity profitability	2,61
10. Sufficiency of funds in accounts	3,21	21. WACC	2,24
11. Financial strenght	3,35	Total score	57,88

The results obtained in average scores reflect the general results of the study. The average total score is 57,88 points, which defines the level of financial security in the metallurgical industry as «medium». In Table 3 we'll sum up the main strengths and weaknesses of the RF metallurgical industry enterprises' financial security.

Table 3. RF metallurgical industry enterprises financial security strengths and weaknesses

Strenghts	Weaknesses
Sufficient total liquidity of enterprises	High dependence of the industry on the debt financing sources
High rates of profit, revenue, and assets growth	Low provision in own working capital
High profitability of own equity	Insufficiency of highly liquid assets
Large margin of financial strenght	Excess of WACC equity over assets profitability

The average values of the financial autonomy coefficient are 1.5-1.6 times lower than recommended by the methodology author. Thus, the industry experiences insufficiency of funds in current accounts.

Most of industry's business activity indicators have a favorable value.

It has to be noted that the financial cycle for the non-ferrous enterprises is longer (81 days) as compared to the ferrous metallurgy enterprises (56 days).

That can be accounted for by the technological features of the production, but is also a problem, for, as a result of the financial cycle being prolonged, the enterprises experience higher demand for external financing. That increases their financial risks. In addition, a slightly unfavorable thing is that accounts payable turnover is lower than accounts receivable turnover on the whole in the industry. However, this deviation is insignificant.

Table 4 demonstrates the distribution of the Russian metallurgical enterprises by the financial security level in greater detail.

Table 4. Distribution of metallurgical enterprises by level of financial security

Level of financial security	Critical level	Low level	Average level	High level	Total
Non-ferrous metallurgy	0	10	22	25	57
Ferrous metallurgy	0	12	34	32	78
Total	0	22	56	57	135
Distribution in relative values (%)					
Level of financial security	Critical level	Low level	Average level	High level	Total
Non-ferrous metallurgy	0	17,5	38,6	43,9	100,0
Ferrous metallurgy	0	15,4	43,6	41,0	100,0

Total	0	16,3	41,5	42,2	100,0
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The results of the study show that the financial security of the Russian metallurgical industry in 2018 was on the transitional level between average and high, not having significant gaps in between the subindustries.

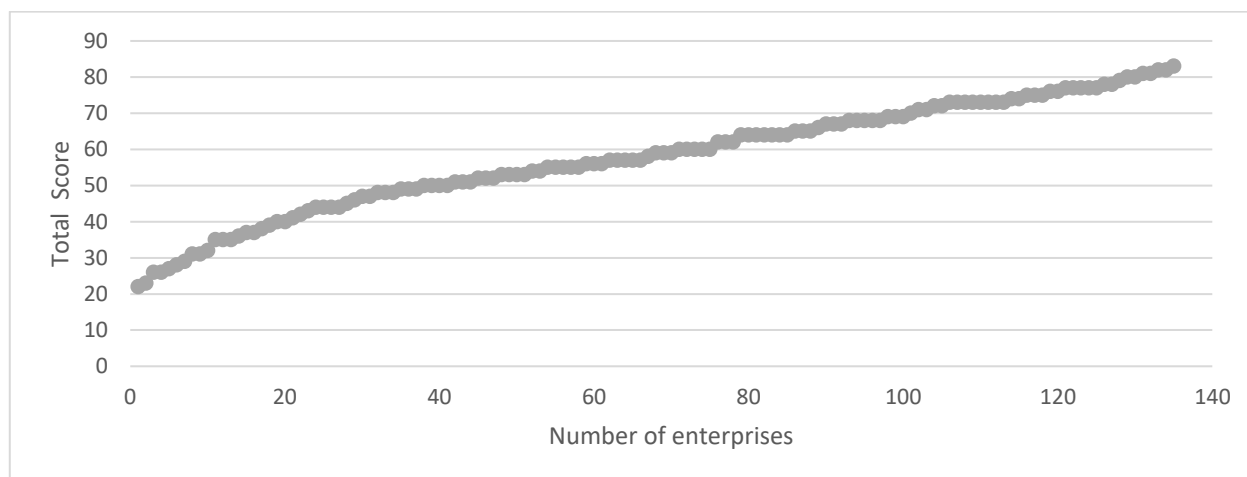


Fig.1 Rating of Russian metallurgical enterprises financial security in 2018 (by total score)

The analysis of the financial security data of the metallurgical industry enterprises of Russian Federation a conclusion has been made that over 80% of the companies have the level of «above average». This study can be a foundation for rational decision-making for both institutional and individual investors while industry- and index-investing.

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